



# Updates from the Field TECHNICAL NOTES

No. 1 Series of 2002  
<http://www.msh.org.ph>

## Importation of Parallel Drugs: Making High-Quality Drugs More Affordable

A strategy currently promoted by the Philippine government to combat high prices and limited availability of essential drugs is parallel drug importation. Parallel importation refers to a country's importation of a patented product—without the authorization of the patent holder—from a second country. It is used mainly when the price charged in the second country is considerably lower than the price charged in the importing country. Parallel drug importation, therefore, provides people with an alternative to either expensive, high-quality medicines or cheap but poor-quality medicines.

### Background

The Philippines has some of the highest drug prices in Asia, as shown by a 1995 survey by Health Action International of selected retail drug prices (see Table 1). Prices for high-quality drugs are beyond the paying capacity of average Filipinos and completely prohibitive for the poor.

Table 1. PRICES OF SELECTED DRUGS (in 1995 US\$)			
Country	Ranitidine (Zantac by Glaxo) 150 mg/100 tab	Amoxicillin (Amoxil by Smith Kline Beecham) 250 mg/100 tab	Captopril (Capoten by BMS) 25 mg/100 tab
India	3	10	n.a.
Nepal	3	10	n.a.
Bangladesh	33	n.a.	n.a.
Pakistan	39	8	21
Sri Lanka	63	24	25
Thailand	74	17	33
Malaysia	86	34	54
Philippines	95	29	54
Indonesia	150	40	n.a.

In addition to high prices, essential drugs for primary health care have not been readily available in government health facilities due to problems with procurement and distribution (1999 National Pharmaceutical Assessment). While the Department of Health (DOH) had been providing essential drugs and supplies, its management of procurement and distribution was ineffective. To improve the management of the drug

supply system and in accordance with the national devolution policy, the Department of Health decided to relinquish its central management responsibility for drug procurement, even for essential public health drugs. Meanwhile, to improve access to low-cost, high-quality drugs, the DOH made an agreement with the Philippine International Trading Corporation (PITC), the trading arm of the government attached to the Department of Trade and Industry (DTI), for the importation of drugs.

The DOH-DTI partnership aims to encourage government hospitals and Local Government Units (LGUs) to purchase parallel drug imports from the PITC. At present, the PITC is the sole entity authorized by the DOH to conduct parallel importation of drugs.

### Why Purchase Parallel Drug Imports

There are a number of compelling reasons to use parallel drug imports, including:

- **No need for bidding.** LGUs are authorized to enter into a negotiated contract for the procurement of medicines from another agency of the government.
- **Value for money.** Costs are reasonable, because PITC helps prevent unnecessary charges for middlemen, distribution, and facilitation (to ensure quick processing).
- **Reasonable payment terms.** There is no need to pay in advance; PITC can extend credit for up to 60 days from the date of delivery and acceptance; and dollar payments are not required.
- **Guaranteed quality.** Three factors guarantee the quality of parallel drug imports:
  - Drugs are obtained only from reputable suppliers;



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## How PDI Works:

### The Major Steps in Purchasing Parallel Drug Imports from the PITC

#### Stage 1: Drug Selection/Determination of Required Quantities

1.1. The Local Health Office or the Local Therapeutics Committee reviews the product list and, in coordination with its hospitals and health centers, determines the quarterly requirements for specific drugs for the LGU.

1.2. The LGU transmits a letter to the PITC expressing its intent to purchase parallel drug imports and stating the quantities of the proposed order.

#### Stage 2: Accreditation of PITC as a Supplier

2.1. Simultaneously, the LGU's General Supplies Office asks the PITC to submit the requirements for its accreditation as a drug supplier. These include:

- mayor's or business permit
- articles of incorporation, by-laws, or charter
- Bureau of Internal Revenue (BIR) income tax return
- BIR VAT certificate
- certificate of withholding agent
- license to operate
- certificate of product registration

2.2. The PITC submits the accreditation requirements to the LGU's General Supplies Office within the prescribed period.

2.3. The LGU transmits to PITC the signed certification of accreditation within a reasonable period.

#### Stage 3: Submission of Purchase Order and Drug Procurement

3.1. Based on the requirements of its devolved hospitals and health centers, the LGU's General Supplies Office prepares the purchase order for PITC and routes it for approval and signature of all concerned officials. A request of allotment or certification of availability of funds, signed by the accountant or an authorized official, is attached to the purchase order.

3.2. The LGU General Supplies Office faxes a copy of the purchase order to PITC and submits the original to the regional/provincial office of the DTI.

3.3. PITC acknowledges receipt of the purchase order and signifies its acceptance of the order by affixing the signature of an authorized representative to the purchase order.

#### Stage 4: Delivery of Drugs to the LGU

4.1. PITC, through its designated cargo forwarder, delivers the order to the LGU's General Supplies Office, together with the following documents:

- sales invoice;
- delivery receipt;
- copy of the certificates of product registration; and
- copy of the Certificates of Analysis from BFAD for specific batches. PITC will stock drugs in its warehouse to reduce the time from submission of the Purchase Order to delivery from 12 to 5 weeks.

4.2. Upon receipt of the order, the LGU's General Supplies Office inspects the drugs and documents. The signed sales invoice and delivery receipt are mailed to PITC.

#### Stage 5: Processing of Payment

5.1. Upon acceptance, the LGU immediately initiates payment. Payment in cash or check shall be made within 30 days from receipt and acceptance of the order. For amounts to be withheld for the payment of taxes, a certificate of tax withheld is likewise prepared and signed by the appropriate LGU official.

- The LGU's General Supplies Office notifies the Health Office about the delivery, and the Health Office prepares and signs the disbursement voucher and, with other supporting documents, sends it to the LGU's Accounting Office.
- The Accounting Office certifies that the disbursement voucher is supported by receipts and forwards it to the Treasurer's Office, which then prepares and signs the check.
- The Local Chief Executive approves the disbursement voucher and signs the check.

5.2. The LGU sends the payment, Certificate of Tax Withheld, and other required documents to PITC by registered mail or courier within the period specified in Step 5.1.

5.3. PITC confirms receipt of payment by issuing an official receipt and signing the documents to acknowledge said payment. The official receipt and other documents will be returned to the LGU by registered mail or courier.

- Only branded products manufactured by multinational drug companies are imported;
- Products undergo the standard laboratory testing process of the Bureau of Food and Drugs (BFAD) and are registered with the Bureau before delivery.

• **Timely delivery.** PITC closely coordinates with the suppliers to ensure that products are delivered within five weeks from receipt of a purchase order.

• **Availability of logistics and warehousing services.** PITC provides logistics, warehousing, and delivery services. It also takes care of customs clearance and other documentation requirements related to importation.

• **Increased government revenues.** PITC takes responsibility for declaration of duties, and value added, city, and other taxes, ensuring that the government receives its revenues. It also pays dividends to its mother company, reverting part of its revenues to the national government.

## Results

Since the last quarter of 2000, parallel drug imports have been sold to 30 Department of Health hospitals and to provincial hospitals in the Province of Capiz. These hospitals are now offering good-quality, low-cost drugs to their clients. Because of the low prices, poor patients are now able to pay for their medicines. In addition, hospital income has increased due to high pharmacy sales.

The Province of Capiz received its first delivery of four drugs in March 2001. It sold all of its stocks in less than a month, with its gross sales amounting to Php200,000 (US\$4,000) and its profit reaching Php46,000 (US\$920). Table 2 shows a comparison of the prices of selected drugs in hospitals that purchased through PITC and in private pharmacies. As the table demonstrates, hospitals that purchase from PITC are able to offer drug prices that are up to five times lower than the price in private pharmacies. This both increases their clients' access to inexpensive but high-quality drugs and enables the hospitals to make a profit of up to 30%.

**Table 2. Prices of Selected Drugs Purchased through PITC and in Private Pharmacies**

DRUG NAME	HOSPITAL PRICE (PhP)	PRIVATE PHARMACY (PhP)
Nifedipine 20mg tab (Adalat Retard)	5.90	34.15
Glibenclamide 5 mg tab (Daonil)	3.15	7.75
Cotrimoxazole 800/160 tab (Bactrim)	5.20	24.00
Salbutamol 100 mcg inhaler (Ventorlin)	198.00	294.75

Table 3 lists the drugs that can be purchased from PITC, with their corresponding suggested retail prices.

<b>Table 3. PRICE LIST OF PARALLEL DRUG IMPORTS</b> <b>Prices in Philippine Pesos per Tablet/Bottle/Unit</b> <b>(Prices as of 20 September 2001)</b>					
THERAPEUTIC CATEGORY	DRUG NAME	DOH-DTI SUGGESTED RETAIL PRICE (P/tablet)	PRICE IN MERCURY DRUGSTORE (P/tablet)	SAVINGS	
				Peso (P/Tablet)	Percent (%)
Anti-Bacterials	Cotrimoxazole (Bactrim DS 800) 160mg tab	5.10	24.60	19.50	79
	Cotrimoxazole (Bactrim Adult) 80mg tab	2.80	13.50	10.70	79
	Cotrimoxazole (Septran 200) 40mg/5ml, 50ml susp	67.60	82.70	15.10	18
	Ciprofloxacin (Baycip) 250mg tab	19.50	51.75	32.25	62
	Ciprofloxacin (Baycip) 500mg tab	32.50	74.24	41.74	56
	Clindamycin (Dalacin-C) 150mg tab	32.55	33.25	0.70	2
	Clindamycin (Dalacin-C) 300mg tab	47.00	52.00	5.00	10
	Co-amoxiclav (Augmentin) 375mg tab	51.20	64.50	13.30	21
	Co-amoxiclav (Augmentin) 625mg tab	63.50	84.70	21.20	25
	Cefixime (Cefspan) 100mg tab	59.25	61.25	2.00	3
	Cefalexin (Phexin) 250mg cap	11.80	16.90	5.10	30
	Cefalexin (Phexin) 500mg cap	21.55	31.00	9.45	30
	Cefalexin (Phexin) 250mg/5ml, 30ml susp	99.75	154.75	55.00	36
	Cefuroxime (Ceftum) 125mg tab	33.30	33.50	0.20	0.5
	Cefuroxime (Ceftum) 250mg tab	65.75	71.00	5.25	7
	Cefuroxime (Ceftum) 500mg tab	126.00	130.00	4.00	3
Anti-Hypertensives	Nifedipine (Adalat Retard) 10mg tab	4.75	21.00	16.25	77
	Nifedipine (Adalat Retard) 20mg tab	5.75	26.60	20.85	78
	Diltiazem (Ionozem) 30mg tab	9.65	20.38	10.73	53
	Diltiazem (Ionozem) 60mg tab	15.25	28.67	13.42	47
	Metoprolol (Betaloc) 100mg tab	8.20	15.50	7.30	47
	Atenolol (Tenormin) 50mg tab	8.70	17.76	9.06	51
Non-Steroidal Anti-Inflammatory Drugs	Mefenamic Acid (Ponstan) 250mg tab	5.40	11.00	5.60	51
	Mefenamic Acid (Ponstan) 500mg tab	8.65	18.50	9.85	53
	Diclofenac (Voveran) (50mg tab)	5.85	16.35	10.50	64
	Diclofenac (Voveran SR) (75mg tab)	7.80			
	Diclofenac (Voveran SR) 100mg tab	10.40	31.25	20.85	67
Oral Hypoglycemic/ Anti-Diabetes Agents	Metformin hydrochloride (Glucophage) 500mg tab	3.75	7.60	3.85	51
	Metformin hydrochloride (Glucophage) 850mg tab	5.85	12.00	6.15	51
	Gliclazide (Diamicron) 80mg tab	9.45	11.00	1.55	14
	Glibenclamide (Daonil) 5mg tab	3.10	7.75	4.65	60
	Glibenclamide (Euglocon) 5mg tab	5.20	17.28	12.08	70
Anti-Cholesterol Agents	Gemfibrozil (Lopid) 300mg tab	19.15	31.40	12.25	39
	Gemfibrozil (Lopid) 600mg tab	38.35	58.25	19.90	34
	Gemfibrozil (Lopid) 900mg tab	57.40	66.25	8.85	13

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				Peso (P/Tablet)	Percent (%)
Corticosteroids	Dexamethasone (Wymesone) 500mcg tab	1.95	4.65	2.70	58
Anti-Anginal Agents	Isosorbide Dinitrate (Isordil) 5mg tab	2.60	9.40	6.80	72
	Isosorbide Dinitrate (Isordil) 10mg tab	3.50	8.25	4.75	58
Bronchodilators	Terbutaline Sulfate (Bricanyl) 250mcg x 200doses inh	217.15	405	187.85	46
	Terbutaline Sulfate (Bricanyl) 2.5mg tab	3.60	7.25	3.65	50
	Terbutaline Sulfate (Bricanyl) 5mg tab	5.85	16.50	10.65	64
	Terbutaline Sulfate (Bricanyl) 1.5mg/5ml, 100ml syr	80.85	147.70	66.85	45
	Salbutamol (Ventorlin) 100mcg x 200doses inh	159.60	294.75	135.15	46
	Salbutamol (Ventorlin) 2mg/5ml, 100ml syr	72.10	140.00	67.90	49
	Beclomethasone (Becoride) 250mcg x 200doses inh	532.50	831.00	298.50	36
Anti-Motility Agents/ Anti-Diarrheals	Loperamide (Imodium) 2mg cap	4.75	8.15	3.40	42
	Hyoscine-N-butylbromide (Buscopan) 10mg tab	4.85	8.60	3.75	44
	Hyoscine-N-butylbromide (Buscopan) 20mg/ml inj	28.60	64.00	35.40	55
Anti-Psychotics	Haloperidol (Serenace) 1.5mg tab	3.25	6.20	2.95	48
	Haloperidol (Serenace) 5mg tab	8.10	17.10	9.00	53
	Haloperidol (Serenace) 10mg tab	11.30	18.00	6.70	37
	Haloperidol (Serenace) 20mg tab	16.80	34.75	17.95	52
	Haloperidol (Serenace) 5mg/ml inj	17.80	96.25	78.45	82
Anti-Epileptics	Carbamazepine (Tegretol) 200mg tab	6.05	12.50	6.45	52
	Carbamazepine (Tegretol CR) 400mg tab	11.15	17.40	6.25	36
	Carbamazepine (Tegretol) 100mg/5ml, 100ml syr	119.20	228.35	109.15	48
	Phenytoin (Dilantin) 100mg cap	4.80	16.66	11.86	71

In summary, both LGUs and the general population profit from parallel drug importation. As Table 3 shows, individual paying clients could save as much as 82% by purchasing drugs imported through PITC. In addition, PITC allows

LGUs to determine their specific drug requirements based on their projected needs. By helping to ensure that essential drugs are available at all times, this will help improve critical health indicators in the Philippines, including mortality rates.

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This publication was made possible through support provided by the U. S. Agency for International Development, under the terms of Contract No. 492-0480-C-00-5093-00. The opinions expressed herein are those of the author(s) and do not necessarily reflect the views of the U.S. Agency for International Development.

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